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Message Text

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51
ACTION AGR-08

INFO OCT-01 NEA-06 ISO-00 EB-04 SWF-01 SP-02 COME-00

TRSE-00 OMB-01 CIEP-01 L-02 PA-01 PRS-01 USIA-06

CIAE-00 INR-05 NSAE-00 RSC-01 AID-05 SIL-01 LAB-01

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R 130920Z NOV 74
FM AMEMBASSY DACCA
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PASS AGRICULTURE

E.O. 11652: N/A
TAGS: EAGR, BG
SUBJ: PADDY/RICE PROCUREMENT POLICY ANNOUNCED

REF: A. FAS DESPATCH BG-4087; B. TOFAS 90

1. SUMMARY PADDY/RICE PROCUREMENT FROM THE CURRENT AMAN CROP WILL BEGIN NOVEMBER 15, 1974 (COMPLETE ANNOUNCEMENT FORWARDED REF A) WITH PROCUREMENT PRICE FOR PADDY AT TAKA 74 PER MAUND (82.29 POUNDS) AND TAKA 118 FOR COARSE QUALITY RICE AND TAKA 120 FOR MEDIUM QUALITY RICE. GROWERS MAY RETAIN FIXED AMOUNTS OF PADDY/ RICE BUT THE BALANCE MUST BE SOLD TO THE GOVERNMENT. NO TARGET ANNOUNCED.

2. THE PADDY-RICE PROCUREMENT PROGRAM WILL BEGIN NOVEMBER 15. MINISTRY OF FOOD & CIVIL SUPPLIES PLANS INITIATE PROGRAM WITH MUCH FANFARE AND WILL PERSONALLY VISIT VARIOUS PARTS OF BANGLADESH BEGINNING TODAY.

3. GROWERS ARE URGED TO VOLUNTARILY DELIVER PADDY TO PURCHASING CENTERS THROUGHOUT THE COUNTRY AT THE FOLLOWING PRICES: PADDY
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TK 74 PER MAUND, COARSE QUALITY RICE TK 118 PER MAUND AND MEDIUM

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QUALITY RICE TK 120 PER MAUND.

4. THROUGHOUT BANGLADESH (INCLUDING THE BORDER BELT) A GROWER CAN ONLY RETAIN TWO THIRDS OF A MAUND OF PADDY OR PROPORTIONATE QUANTITY OF RICE PER MONTH PER MEMBER OF HIS FAMILY ABOVE THE AGE OF THREE YEARS UNTIL THE HARVEST OF THE GROWERS' NEXT BORO/AUS/ AMAN CROP IN ADDITION TO ONE MAUND OF PADDY AS SEED PER ACRE OF AMAN LAND PLUS A FURTHER QUANTITY UP TO 20 MAUNDS IN TERMS OF PADDY FOR OTHER PURPOSES SUCH AS PROVIDING FOOD FOR AGRICULTURAL LABORERS. THE BALANCE OF THE PADDY/RICE HARVESTED IS CONSIDERED SURPLUS AND 50 PERCENT OF THE SURPLUS UP TO 200 MAUNDS IS SUBJECT TO COMPULSORY PROCUREMENT AT THE PRICES MENTIONED ABOVE AND OVER 200 MAUNDS 75 PERCENT (BUT 100 PERCENT IN A FVHE-MILE BORDER AREA) IS SUBJECT TO COMPULSORY PROCUREMENT. THERE WILL BE MONOPOLY PURCHASE OF RICE FROM ALL THE MAJOR RICE MILLS IN A 10 MILE BORDER XELT.
FYI THIS PURCHASE AND 100 PERCENT COMPULSORY PRO-
CUREMENT OF SURPLUS PADDY/RICE ARE ANTI-SMUGGLING MEASURES. END FYI

5. PROCUREMENT COMMITTEES IN EACH SUBDIVISION AND AT THE THANA/ UNION LEVEL WILL CARRY OUT THE OPERATIONS OF THE PROCUREMENT PROGRAM INCLUDING ASSESSMENT OF THE GROWERS' SURPLUS.

6. FOOD SECRETARY TOLD EMBOFF NOVEMBER 12 THAT NO TARGET WOULD BE ANNOUNCED, AND THAT BDG PROCUREMENT PRICE BASED ON WORLD MARKET PRICE, CONVERTED AT OFFICIAL RATE. (AT TAKA 8 EQUALS DOLS ONE, PROCUREMENT PRICE FOR MEDIUM QUALITY RICE INDEED CONVERTS TO ALMOST EXACTLY $400/MT.)

7. COMMENT: 1974/75 PROCUREMENT PRICES ARE SHARPLY HIGHER FROM THOSE OF 1973/74. FURTHERMORE, PRICE AT OFFICIAL EXCHANGE RATE IS IN LINE WITH WORLD MARKET PRICE. ACCORDINGLY, NEW PROCUREMENT PRICE MAY BE SEEN AS FIRST EFFORT BY BDGTO MEET CONCERNS OF IBRD AND OTHER DONORS AT BANGLADESH AID GROUP MEETING, PARIS THAT BDG HAD NOT BEEN MAKING ADEQUATE SELF-HELP EFFORT TO PROCURE FOOD DOMESTICALLY TO SUPPLEMENT FOOD AID FROM ABORAD. HOWEVER, PROCUREMENT PRICE TO BE EFFECTIVE MUST BE IN LINE WITH PREVAIL-
ING DOMESTIC MARKET PRICE (AND NEAR ENOUGH THAT IN INDIA-IN TERMS FREE MARKET TAKA/RUPEE EXCHANGE RATE) TO PERSUADE FARMERS TO SELL TO GOVERNMENT. ALSO, CONVERSION OF WORLD RICE PRICE AT LIMITED OFFICIAL USE

OFFICIAL RATE UNDERVALUES BANGLADESH RICE. THOUGH PROCUREMENT PRICES ARE FAR BELOW CURRENT DOMESTIC PADDY/RICE PRICES, PROS-
PECTS OF AN EXCELLENT AMAN HARVEST COULD REDUCE CURRENT HIGH PRICES (ALREADY DECLING FROM TK 300-400/MAUND LEVELS AS AMAN RICE REACHES THE MARKET). WHILE BDG OFFICIALS ARE HOPEFUL OF PROCURING 200,000 MT RICE EQUIVALENT FROM THE AMAN CROP, MISSION IS NOT OPTIMISTIC IN PART BECAUSE WE DO NOT FORESEE SUFFICIENT PRICE DROP ACROSS COUNTRY. (SEE ALSO PARA 8 OF DACCA 5219). IN

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SUM, THIS IS STEP IN RIGHT DIRECTION, BUT IT TOO EARLY PREDICT
DEGREE TO WHICH NEW POLICY MAY PROVE SUCCESSFUL.
BOSTER

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